



CITY OF
FORT LAUDERDALE

January 9, 2004

Mayor Jim Naugle
Vice Mayor Carlton B. Moore
Commissioner Christine Teel
Commissioner Dean Trantalis
Commissioner Cindi Hutchinson

Dear Mayor and Commissioners:

This letter transmits the Comprehensive Annual Financial Report (CAFR) for the City of Fort Lauderdale, Florida for the fiscal year ended September 30, 2003. This submission meets the requirements of the City Charter Section 10.02, the Fort Lauderdale City Code 2-147(b)(14), Florida Statutes 166.241, and Rules of the Florida Auditor General Chapter 10.550. The financial statements included in this report conform to generally accepted accounting principles in the United States (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The City is responsible for the accuracy of the data and the completeness and fairness of the presentation including all disclosures. The financial statements have been audited by Ernst & Young LLP, Certified Public Accountants. The independent auditor has issued an unqualified opinion that this report fairly presents the financial position of the City and complies with all reporting standards noted above. Additionally, the City has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for many consecutive years.

The CAFR is divided into four parts. The Introductory Section provides a summary of the contents of the entire report and general information about the reporting entity. The Financial Section includes the Auditor's Opinion, Management's Discussion and Analysis, the Basic Financial Statements, Notes to Financial Statements, Required Supplementary Information, and the Combining and Individual Fund Financial Statements and Schedules. Other Financial Information includes budgeting and other statements and schedules provided to supplement required financial data. The Statistical Section includes a number of tables that provide historical, social, economic and financial trend data that offers an overview of the City's fiscal situation. The contents of the report have been influenced by compliance with GASB pronouncements including Statement 34 that has required the preparation of new government-wide financial statements on a full accrual basis of accounting for all funds, as well as Management's Discussion and Analysis.

Reporting Entity

For the benefit of the readers of this report, this section describes the nature of the City as a financial reporting entity. The City of Fort Lauderdale was founded in 1911. It operates under the commission/manager form of government where the Mayor, elected at large, and four Commissioners, elected by geographic district, determine the policies that guide the operation of the City. They hire a City Manager, who implements City policies and administers them on a full-time basis.



Fort Lauderdale is a full-service city that provides police protection, fire-rescue services, parks and recreation programs, delivers potable drinking water to a customer base both within and outside the City limits along with wastewater collection and treatment, sanitation services, development regulation, parking, and street maintenance. The City is known for its waterways including Fort Lauderdale beach, the New River, the Middle River, and numerous canals. The City also operates a spring training baseball facility, a general aviation airport, a downtown heliport, an aquatic complex, and an auditorium.

This financial report includes all funds and component units of the City, in accordance with Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity". This reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Sunrise Key Safe Neighborhood Improvement District is included as a component unit along with the Fort Lauderdale Community Redevelopment Agency (CRA). These organizations have been included as component units, since the City is financially accountable for and is able to impose its will on them. The transactions and balances of the CRA are blended with those of the City (primary government), while the Sunrise Key financial information is discretely presented in the government-wide financial statements.

The City of Fort Lauderdale Downtown Development Authority (DDA) and the Housing Authority of the City of Fort Lauderdale are related organizations, but separate and distinct, and are not included in this financial report since they do not meet the established criteria for reporting herein. Along with the Performing Arts Center Authority and the DDA, the City is a participant in a joint venture in the Arts and Science District Parking Garage with each party maintaining an ongoing financial interest.

Economic Condition

The City of Fort Lauderdale benefits from a dynamic economic environment that has seen tremendous growth in recent years. This growth can be tracked through various indicators, but none better than the Broward County Property Appraiser's annual determination of taxable assessed value and the value of new construction.

	(In millions of \$)	
	<u>New Construction</u>	<u>Taxable Value</u>
FY 2000	\$ 266	\$11,838
FY 2001	273	12,862
FY 2002	292	14,203
FY 2003	820*	16,385

*New construction represents improvements to real property that were not on the tax roll in the prior year. The FY2003 amount included the value of annexed areas brought into the City in September 2002.

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As of October 2003, the Fort Lauderdale metropolitan area (Broward County) had 859,800 civilians in the labor force compared with 862,500 the year before. Unemployment stood at 5.4 percent compared to 5.9 percent a year earlier. Comparative data with the rest of the State of Florida as reported by the Bureau Economic Analysis shows the Fort Lauderdale metropolitan area as the second largest in the State in terms of population (1.7 million) and eleventh in per capita personal income (\$30,702). The Greater Fort Lauderdale Convention and Visitors Bureau reported 8.3 million visitors in FY2003, the largest number of visitors in the history of data collection on tourism in Broward County. Hotel occupancy climbed to 66.5 percent.

Important City Activities in FY 2003

Significant events occurred in the past year that influenced the City's financial picture:

- Elected two new City Commissioners in March 2003 and reelected the Mayor and two other incumbents.
- Closed FY 2002 revealed a \$3.4 million shortfall in General Fund carryforward designated for FY 2003 expenditures.
- Implemented hiring, travel, and capital outlay freezes in May 2003.
- Closed the Central Stores Warehouse saving \$650,000 annually with no significant adverse impact.
- Moved parking enforcement to the Police Department.
- Established the Office of Professional Standards to handle employee concerns and offer training to City staff related to a code of conduct.
- Began implementation of the \$45 million Northwest Progresso Flagler Heights Community Redevelopment Agency Strategic Financial Plan including breaking ground on two projects that will offer up to 61 new single-family homes.
- Developed a comprehensive \$35 million plan to address the replacement and rehabilitation of fire stations over a ten-year period.
- Established the Office of Domestic Preparedness to assist in the coordination of resources during incidents of terrorism or natural or man-made disasters.
- Opened the following new park facilities: Palm Aire Village, Lauderdale Manors Recreation Center, and the Holiday Park roller hockey rinks.
- Reduced the crime rate by 3 percent.
- Accepted the resignation of the City Manager in September 2003.

Financial Information

City management is responsible for establishing and monitoring *internal controls* to ensure that the City fulfills its fiduciary responsibility as custodian of public monies. The purpose of internal controls is to provide reasonable, but not absolute, assurance that City assets are safeguarded against loss through unauthorized use or disposition. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The City's *accounting system* is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds used are determined generally by the City Commission upon recommendation of the City Manager and the Director of Finance establishes accepted accounting policies and procedures, as well as the number of funds.

The City of Fort Lauderdale is required to adopt an *annual budget* in accordance with the City Charter and State Statute. The City Manager is charged with preparing a proposed budget for submission in July of each year for the fiscal year that begins the following October 1. Appropriations by department by fund and tax levies are adopted in September. The budget also authorizes the number of full-time equivalent positions available to City departments to deliver services. The budget may be amended by Commission motion at a Regular Meeting or administratively if the change is within the same department and fund. Various thresholds of review and approval have been established for purchases and hiring as the budget is implemented.

The City has two *pension plans*: 1) General Employees Retirement System and 2) the Police and Fire Pension Plan. Staffs outside of the City's authorized workforce, who are hired by the Pension Board of each plan, administer these defined benefit plans. The Boards' membership is comprised of both elected active employees, as well as appointment by the Mayor. The Boards have responsibility for investment of the pension assets and determination of benefits as employees retire or seek other benefits under the plans. At September 30, 2003, the plans had assets of \$624 million. New general employees and nonclassified employees outside of civil service have the option of participating in a defined contribution plan.

In the course of making capital improvements to serve the residents of Fort Lauderdale, the City has funded certain projects with bonds. At September 30, 2003, the City had outstanding *debt* of \$192 million. The City employs financial advisors, as well as bond counsel to assist with these financings. Outstanding General Obligation, Excise Tax and Tax Increment Bonds were refunded in the last fiscal year. The initial \$90 million in Water and Sewer Revenue Bonds were issued for the Water and Sewer Master Plan. Standard & Poor's rating for General Obligation debt continues to be AA and Moody's Investor Service is now Aa3. Both rating agencies receive periodic updates on the City's financial condition.

The City maintains an *investment policy* that strives to protect capital above all else while seeking investment earnings and providing for daily cash needs. The City's portfolio at September 30, 2003 was \$256.3 million. Funds are invested in the State Board of Administration and through a separate contract with Public Financial Management. The City's master and payroll accounts are swept nightly to capture overnight interest earnings. Bank transactions are examined daily to minimize check fraud. Debt service payments and payment of certain medical claims are handled through electronic transactions.

The City of Fort Lauderdale has a combination of *insurance* policies and self-insured programs to address the City's risks as a municipality. Insurance policies have been purchased to cover windstorm damage to City property, losses due to fraud or criminal actions of City officials, major employment practices liability and workers' compensation claims. The City is self-insured for automobile, general liability, most workers' compensation claims, most employment practices claims, and employee health insurance. Outside actuaries assist the City in assessing its liabilities and establishing claim reserves.

Recognition and Acknowledgments

The City of Fort Lauderdale has been the recipient of the Government Finance Officer's Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for every fiscal year since 1976. Additionally, the City has received the GFOA Distinguished Budget Presentation Award for each fiscal year since 1985. The Procurement/Materials Management Division of the Administrative Services Department received the Award of Excellence in Public Procurement from the Florida Association of Public Purchasing Officials.

This comprehensive annual financial report could not have been prepared without the dedicated service of all employees in the Finance Department. Additionally, supporting documents and explanations have been provided by other City departments as well as key partners in the private sector that provide support on an on-going basis. Timely reporting of financial information takes a team effort and this has been one.

Respectfully submitted:



Terry L. Sharp
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fort Lauderdale,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

THE PEOPLE OF FORT LAUDERDALE

